

Date: August 8, 2014

To: Agency Heads, Boards and Commissions

From: Margaret Kelly, State Budget Director *MK*

Phone: 651-201-8009

Subject: FY 2016-17 Budget Preparation

Thanks to lots of hard work from Minnesotans, our diverse and robust economy has helped us to recover from the Great Recession more quickly than most states. That improvement has been carefully managed by Governor Dayton and the Legislature, leaving us with a balanced budget in the current biennium and a projected General Fund balance of \$603 million by FY 2017. Our most recent revenue and economic update suggest that our state economy continues to outperform the national economy, with FY 2014 revenues \$168 million ahead of forecast.

The improved economy and state budget condition are good news for Minnesota. The July Revenue and Economic update, however, reported that the U.S. economy continued to grow, but at a slower pace than had been expected at the end of last year. While not everyone has shared equally in the economic recovery, efforts to ensure a strong economy that benefits everyone will continue. Further, demographic shifts along with the potential for certain federal funding changes in health care may result in higher cost pressures.

Whether in good, poor, or uncertain economic times, we continue to believe that the best approach to budget planning incorporates a drive toward a better and more efficient use of resources. In the first set of instructions you received, we asked that you explain succinctly and clearly what your agency does, how it is financed, and how it accomplishes its core activities. We also asked that you explain how your agency advances its mission, and that you use data to explain how well your agency is doing at accomplishing this mission.

This set of instructions will provide guidance for agency budget proposals. We have brought back the change page template for this budget—it will be used in the decision-making process and will be included in the Governor's biennial budget document. In addition to putting your request into context, we expect that you will explain how you will improve state government with your request, who will be better off because of it, and what trend line you are trying to affect. It is also important to highlight where you are incorporating ideas that save funds or have low or no costs in order to demonstrate the innovations your agencies are implementing each day to make government better for citizens.

All budget development schedules, documents, templates, and other tools, are posted on our website at <http://mn.gov/mmb/budget/budget-instructions/bibudprep/>. Please review them as you begin budget planning as a variety of these pieces are new or revised from previous budget cycles. **All budget proposals are due to MMB by the statutory deadline of October 15, 2014.**

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Final budget decisions will be made following the November forecast. Your work now will allow us to frame budget options and begin the decision-making process. I ask that you continue to work with MMB Executive Budget Officers to identify agency priorities and effective budget alternatives and options.

Thank you for all your efforts over the coming months.